


THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

MEXICO CITY OFFICE  
MELCHOR OCAMPO 171, MEXICO 17, D. F.

TORONTO OFFICE  
26TH FLOOR, COMERCE COURT WEST, TORONTO 1 CANADA

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1972



Digitized by the Internet Archive  
in 2023 with funding from  
University of Alberta Library

[https://archive.org/details/Mexi0537\\_1972](https://archive.org/details/Mexi0537_1972)

---

BOARD OF DIRECTORS:

LIC. JOSE LOPEZ PORTILLO, Chairman  
Secretary of Treasury and Public Credit of Mexico.

LIC. ARSENIO FARELL, President of the Company  
Director General of Compañía de Luz y Fuerza del Centro, S. A.  
and Comisión Federal de Electricidad.

LIC. GUILLERMO MARTINEZ DOMINGUEZ,  
Director General of Nacional Financiera, S. A.

LIC. FERNANDO RAFFUL MIGUEL,  
Undersecretary of National Patrimony.

LIC. MIGUEL DE LA MADRID, Director General of Credit of  
the Ministry of Treasury and Public Credit of Mexico.

LIC. ENRIQUE ALVAREZ DEL CASTILLO, General Manager  
of Compañía de Luz y Fuerza del Centro, S. A.

SECRETARY OF THE BOARD: Lic. Daniel Castaño A.

TRANSFER AGENTS: National Trust Company, Limited  
Toronto and Montreal

TRUSTEE OF FIRST MORTGAGE BONDS  
AND CUMULATIVE INCOME DEBENTURES: National Trust Company, Limited

AUDITORS: Mario Suárez del Real

May 30, 1973



## CONTENTS :

Financial Statements in Mexican Currency	Page 3
Auditors' Report	Page 3
Consolidated Balance Sheet	Page 4
Statement of Consolidated Profit and Loss	Page 6
Consolidated Statement of Movement of Shareholders' Investment	Page 7
Consolidated Statement of Long Term Liabilities	Page 8
Consolidated Statement of Source and Application of Funds	Page 12
Notes to Consolidated Financial Statements	Page 14
Financial Statements in Canadian Currency	Page 17
Auditors' Report	Page 17
Consolidated Balance Sheet	Page 18
Statement of Consolidated Profit and Loss	Page 20
Consolidated Statement of Movement of Shareholders' Investment	Page 21
Consolidated Statement of Long Term Liabilities	Page 22
Consolidated Statement of Source and Application of Funds	Page 26
Notes to Consolidated Financial Statements	Page 28
Technical Statistics	Page 31

THE MEXICAN LIGHT AND POWER COMPANY LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS  
IN MEXICAN CURRENCY

AUDITORS' REPORT

To the Shareholders of  
The Mexican Light and Power Company, Limited:

We have examined the consolidated balance sheet of The Mexican Light and Power Company, Limited and Subsidiary Companies as at December 31, 1972 and the related statements of consolidated profit and loss, movement of shareholders' investment, and source and application of funds in Mexican currency.

Our examination was made in accordance with generally accepted auditing standards including, consequently, tests of the documents, books and accounting entries and other generally accepted auditing standards, which we considered necessary in the circumstances.

As mentioned in Note 6 to the financial statements at December 31, 1972, the procedure for calculating the increases in accruals for separation payments was changed, reducing the loss for the year by \$61.0 million. Also, it was decided from 1972 on to record the amount of energy supplied but not yet billed at the end of the year. Until 1971 this energy was recorded when billed without any estimate of its amount being included in the accounts at the end of the year. As mentioned in Note 8, this change increased gross revenues by \$80.2 million in 1972, consequently reducing the loss by this same amount.

In our opinion, the attached financial statements fairly present the financial position of The Mexican Light and Power Company, Limited and Subsidiary Companies as of December 31, 1972 and the result of their operations as well as the source and application of their funds for the year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year, except for the changes mentioned in the previous paragraph with which we are in agreement.

Mario Suárez del Real  
Public Accountants

May 4, 1973  
Mexico, D. F.



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (NOTE 1)

Consolidated Balance Sheet as at December 31, 1972

With comparative figures as at December 31, 1971 (Note 2)

In Mexican Currency

ASSETS		
Current:	1972	1971
Cash . . . . .	\$ 159,136,002	\$ 136,858,577
Consumers' accounts and notes receivable, net . . . . .	508,651,078	396,846,108
Material and supplies, at cost, not above market value, net . . . . .	119,399,516	131,262,800
Debtors, claims and other current assets . . . . .	137,282,693	155,537,174
Loans to employees . . . . .	134,717,727	111,029,908
Insurance and other prepaid expenses . . . . .	42,877,908	39,892,255
	<u>\$ 1,102,064,924</u>	<u>\$ 971,426,822</u>
Other:		
Loans to employees . . . . .	\$ 590,268,922	\$ 575,151,789
Investments in securities, at cost . . . . .	1,844,734	1,593,416
Notes receivable . . . . .	300,000	5,578,854
Prepaid expenses and other non-current assets (Note 3) . .	103,371,842	39,934,184
	<u>\$ 695,785,498</u>	<u>\$ 622,258,243</u>
Fixed:		
Property, plant and equipment (Note 4) . . . . .	\$ 7,067,530,473	\$ 6,094,912,934
Less: Accrued depreciation and amortization (Note 5) . .	2,024,737,046	1,868,520,116
	<u>\$ 5,042,793,427</u>	<u>\$ 4,226,392,818</u>
Work in progress, at cost . . . . .	\$ 1,022,414,357	\$ 1,032,890,347
Stores for construction, at cost . . . . .	73,855,688	18,905,477
Advances for construction . . . . .	2,454,775	11,063,190
	<u>\$ 6,141,518,247</u>	<u>\$ 5,289,251,832</u>
On behalf of the Board:		
José López Portillo, <i>Director</i>		
Arsenio Fareli <i>Director</i>		
	<u>\$ 7,939,368,669</u>	<u>\$ 6,882,936,897</u>



## LIABILITIES

Current:	1972	1971
Accounts payable to suppliers, contractors and others . . .	\$ 208,026,943	\$ 128,805,909
Dividends declared . . . . .	5,354,848	5,326,342
Current portion of long term debt (Note 3) . . . . .	477,611,050	412,688,574
Accrued interest, wages and other expenses . . . . .	73,021,333	68,881,650
Employees' and pensioners' savings fund . . . . .	27,269,726	17,314,196
	<u>\$ 791,283,900</u>	<u>\$ 633,016,671</u>
Long Term (see statement attached) (Note 3) . . . . .	\$ 4,157,350,239	\$ 3,268,548,215
Other:		
Accrued for pensions (Notes 4 and 6) . . . . .	\$ 231,618,684	\$ 169,480,785
Accrued for separation payments (Note 6) . . . . .	183,378,253	180,552,612
Accrued for employee insurance (Note 6) . . . . .	14,464,774	—
Consumers and other deposits . . . . .	117,093,168	131,381,479
	<u>\$ 546,554,879</u>	<u>\$ 481,414,876</u>
	<u>\$ 5,495,189,018</u>	<u>\$ 4,382,979,762</u>
Contingencies (Note 9)		

## SHAREHOLDERS' INVESTMENT

### CAPITAL STOCK:

#### Preferred shares

Authorized and issued—852,598 shares having a par value of \$13.50 Can. Cy. per share (Note 7) . . . . .	\$ 147,400,872	\$ 147,400,872
Common shares of no par value		
Authorized 5,000,000; issued 4,196,111 . . . . .	508,416,475	408,416,475
	<u>\$ 555,817,347</u>	<u>\$ 555,817,347</u>

#### Earned Surplus:

Statutory reserve . . . . .	\$ 44,808,857	\$ 42,868,733
Reinvestment reserve (Note 4) . . . . .	944,677,863	944,677,863
Retained earnings (Note 4) . . . . .	374,249,718	385,120,343
Unallocated income of previous years . . . . .	42,487,629	—
Unallocated income for the year, after deducting \$1,940,124 in 1972 and \$2,231,737 in 1971 transferred to statutory reserve	(111,033,226)	42,127,629
	<u>\$ 1,295,190,841</u>	<u>\$ 1,414,794,568</u>
	<u>\$ 1,851,008,188</u>	<u>\$ 1,970,611,915</u>

Consumers' Cooperation Toward Fixed Assets (not distributable  
under the Law of the Electric Industry) . . . . .

\$ 593,171,463	\$ 529,345,220
<u>\$ 7,939,368,669</u>	<u>\$ 6,882,936,897</u>

The attached notes form part of this statement.



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (NOTE 1)

Statement of Consolidated Profit and Loss  
for the Year Ended December 31, 1972

*With comparative figures for the year ended December 31, 1971 ( Note 2)*

In Mexican Currency

	1972	1971
OPERATING REVENUE (Note 8) . . . . .	\$ 2,659,777,736	\$ 2,363,333,317
OPERATING AND OTHER EXPENSES:		
Energy purchased . . . . .	\$ 715,253,418	631,403,906
Fuel . . . . .	92,097,353	84,623,097
Wages . . . . .	673,965,812	565,545,098
Employee benefits . . . . .	599,234,284	458,294,776
Other operating expenses . . . . .	50,936,854	47,528,533
Other maintenance expenses . . . . .	55,989,788	63,828,570
Administrative expenses . . . . .	28,520,419	28,011,278
Taxes and duties . . . . .	26,204,651	24,320,439
Provision for doubtful accounts . . . . .	10,908,943	10,698,790
Provision for depreciation and amortization (Note 5) . . .	167,000,946	140,653,353
Total operating and other expenses	\$ 2,420,112,468	\$ 2,054,907,840
NET OPERATING REVENUE . . . . .	\$ 239,665,268	\$ 308,425,477
FINANCIAL COST . . . . .	\$ 382,915,145	\$ 300,374,412
Less: Interest during construction . . . . .	29,937,684	21,037,644
Less: Interest earned on immediately realizable securities	5,818,399	6,369,066
Net financial cost . . . . .	\$ 347,159,062	\$ 272,967,702
OTHER REVENUE AND EXPENSES, NET . . . . .	( 1,599,308 )	9,261,591
PROVISION FOR EMPLOYEES' SHARE IN PROFITS	—	360,000
NET PROFIT (LOSS) OF THE YEAR . . . . .	( 109,093,102 )	\$ 44,359,366
APPROPRIATION TO THE STATUTORY RESERVE . .	1,940,124	2,231,737
SURPLUS (LOSS) FOR THE YEAR, TO BE ALLOCATED . . . . .	\$ ( 111,033,226 )	\$ 42,127,629

AFTER ALLOWING FOR THE \$1.00 CANADIAN CURRENCY PER SHARE TO WHICH THE PREFERRED ARE ENTITLED, THE NET LOSS IN 1972 WAS \$28.55 PER COMMON SHARE (A NET PROFIT OF \$8.03 IN 1971)

The attached notes form part of this statement.



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (NOTE 1)

Consolidated Statement of Movement of Shareholders' Investment  
for the Year Ended December 31, 1972  
In Mexican Currency

	<u>Capital Stock</u>	<u>Statutory Reserve</u>	<u>Reinvestment Reserve</u>	<u>Retained Earnings</u>	<u>Unallocated Income of Previous Years</u>	<u>Unallocated Surplus (Loss) for the Year</u>
Balance at December 31, 1971.	555,817,347	42,868,733	944,677,863	385,120,343	—	42,127,629
Transfer of the 1971 unallocated surplus . . .					42,127,629	(42,127,629)
Adjustment of the pro- vision for employees' share in profits of 1971					360,000	
Cash dividends declared by The Mexican Light and Power Company, Limited on its Preferred shares (\$1.00 Can. Cy. per share) . . . . .				(10,870,625)		
Net loss for the year ended December 31, 1972 as per the consoli- dated profit and loss statement, allowing for the appropriation to the statutory reserve . . . .		1,940,124				(111,033,226)
Balance as at December 31, 1972 . . . . .	<u>555,817,347</u>	<u>44,808,857</u>	<u>944,677,863</u>	<u>374,249,718</u>	<u>42,487,629</u>	<u>\$ (111,033,226)</u>



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES  
(Including *Compañía de Luz y Fuerza del Centro, S. A.*)

Consolidated Statement of Long Term Liabilities  
as at December 31, 1972

The Mexican Light and Power Company, Limited		Original Currency	Mexican Currency
First Mortgage and Collateral Trust Bonds:			
5% Series A Sinking Fund Bonds and Debenture Stock, semi-annual payments to 1975 .....	US CAN	1 940 510 82 844	\$ 24 256 375 1 040 624
4.5% Series B serial Bonds, semi-annual maturities to 1975, guaranteed by the Mexican Government ....	US	4 385 000	54 812 500
7% Series D serial Bonds, semi-annual maturities to 1975 .....	MEX		18 236 000
5.625% Series E serial Bonds, semi-annual maturities to 1977, guaranteed by the Mexican Government ....	US CAN	3 562 356 280 000	44 529 448 3 516 148
6% Series F Sinking Fund Bonds, annual payments to 1983 .....	US	2 947 000	<u>36 837 500</u>
Total First Mortgage Debt			<u>\$ 183 228 595</u>
5.5% Cumulative Income Debenture Stock, Annual In- terest and Sinking fund of \$92,487 U.S. Guar- anteed by floating charge .....	US	2 466 530	<u>30 831 625</u>
Loans from Nacional Financiera, S. A. (subordinated to above)			
At 7% , semi-annual maturities to 1978 .....	MEX		\$ 82 363 969
At 8% , semi-annual maturities to 1981 .....	MEX		61 605 892
At 11 1/4% , a re-financing of the previous two with quarterly maturities to 1989 .....	MEX		<u>41 958 209</u>
Total Subordinated Debt			<u>\$ 185 928 070</u>
Total Debt-The Mexican Light and Power Company, Limited			<u>\$ 399 988 290</u>
Compañía de Luz y Fuerza del Centro, S. A. (subordinated to Mortgage Bonds and Income Debenture Stock of the Mexican Light and Power Company, Limited)			
Comisión Federal de Electricidad:			
Loan Agreements			
At 8.75% o/o, annual maturities to 1979 .....	GER	39 516 207	\$ 154 298 538
From 7.5% o/o to 9.5% o/o, serial maturities from 1976 to 1997 .....	US	65 000 000	812 500 000



At 6 <sup>0</sup> /o and 7.5 <sup>0</sup> /o, semi-annual maturities to 1980 . .	US	5 470 143	68 376 787
At 12 <sup>0</sup> /o, semi-annual maturities to 1982 . . . . .	MEX		1 095 000 000
At 8 <sup>0</sup> /o semi-annual maturities to 1982	MEX		5 500 975
Joint contracts with Nacional Financiera, S.A., subsidiary to IBRD Loans			
436—ME at 5 1/2 <sup>0</sup> /o and 6 <sup>0</sup> /o, semi-annual maturities to 1985 . . . . .	US	12 766 000	159 575 000
544—ME at 6 1/4 <sup>0</sup> /o, semi-annual maturities to 1988	VAR		177 879 737
659—ME at 7 <sup>0</sup> /o, to 7 1/2 <sup>0</sup> /o semi-annual maturities from 1974 to 1990 . . . . .	VAR		472 826 559
Sub Total — Comisión Federal de Electricidad . . . .			\$2 945 957 596
Notes to foreign banks:			
At 6.5 <sup>0</sup> /o to 7.8125 <sup>0</sup> /o, serial maturities to 1979 . . . .	US	38 592 256 \$	482 403 200
At 7.5 <sup>0</sup> /o, due 1973 . . . . .	US	3 000 000	37 500 000
At 7 1/2 to 7,5625, due 1975 . . . . .	US	15 564 054	194 550 673
At 7 3/4 <sup>0</sup> /o, due 1970 . . . . .	US	15 774 761	197 184 510
			911 638 383
Less: Notes representing unearned interest . . . . .	US	811 623 \$	10 145 281
Sub total Foreign Banks			\$ 901 493 102
Notes to Mexican Banks:			
At 10 <sup>0</sup> /o and 12 <sup>0</sup> /o, semi-annual maturities to 1976 . .	MEX		\$ 407 050 000
At 8 <sup>0</sup> /o, with annual maturities to 1981 . . . . .	MEX		7 368 895
			414 418 895
Less: Notes representing unearned interest . . . . .	MEX		26 896 594
Sub Total Mexican Banks . . . . .			\$ 387 522 301
Total Compañía de Luz y Fuerza del Centro, S.A.			\$ 4 234 972 999
CONSOLIDATED TOTAL . . . . .			\$ 4 634 961 289
Less: Current portion of long term liabilities:			
The Mexican Light and Power Company, Limited . .			53 377 815
Compañía de Luz y Fuerza del Centro, S. A. . . . .			424 233 235
NET LONG TERM LIABILITIES . . . . .			\$ 4 157 350 239

Notes:

First Mortgage and Collateral Trust Bonds.

In accordance with the provisions of the Indenture of Mortgage of Fe-

bruary 1, 1950 and the Supplemental Indenture of March 28, 1955, the payment of principal and interest on the first mortgage and collateral trust bonds is guaranteed by a mortgage on properties, plant and equipment installed on December 31, 1953 and which were then valued at \$726 million pesos, and by a mortgage on all additions permanently incorporated to the mortgaged property. As an additional guarantee, as provided by the Indenture of Mortgage of February 1, 1950, the Company and its subsidiaries have agreed, subject to receiving prior authorization from Mexican Governmental authorities as required and in accordance with the provisions of the aforementioned Indenture, to constitute a mortgage at any time on any or all other immovable properties they may possess or acquire in the future.

Restrictions in accordance with loan agreements signed with the International Bank for Reconstruction and Development.

The Company has committed itself, among other things, that unless it obtains the consent of the Bank:

- a) It will not declare or pay any dividend or make any other distribution on its common shares (except stock dividends) if after considering such dividend or distribution the total amount of such payments and the payment of dividends on preferred shares made subsequent to December 31, 1956 should exceed by more than \$6,000,000 US currency the total net consolidated profits obtained by the Company and its subsidiaries and available for dividends subsequent to December 31, 1956.
- b) It will not redeem nor purchase any shares of its capital stock nor 5.5 % Cumulative Income Debentures, (except for such part of the latter which are retired from circulation through the operation of the sinking fund) unless it does so with proceeds from the sale of shares and, in the case of the 5.5 % income debenture stock, with the proceeds of the sale of income debenture stock which do not confer more favorable conditions on its holders than the existing 5.5% debentures.
- c) It will not incur any debt if the net remainder from operations of the Electric Sector (the Company, its subsidiaries, and Comisión Federal de Electricidad and its subsidiaries) increased by the amount of the tax on consumption of electric energy during the financial period immediately preceding (or any preceding period of 12 consecutive months, whichever is greater) is less than 1.4 times the largest amount of the total amortization on long-term debt of the Electric Sector in future year or years.



- d) It will not sell or dispose in any other manner of any of its properties or other assets which are needed to carry out efficiently its operations unless it first pays or redeems or makes provisions satisfactory to the Bank for the balance of the loans outstanding.
- e) It will not assume liabilities with a guarantee on any of its assets; in case of non-observance of this restriction provisions satisfactory to the Bank must be immediately created to assure the payment of principal, interest and other charges arising from the credit granted by the Bank. This restriction will not be applicable to those credits which have a specific lien on those assets acquired with the credit itself and to any liability arising in the normal course of operations whose maturity is not greater than one year.

MEX	=	Mexican pesos
US	=	American dollars
CAN	=	Canadian dollars
GER	=	German marks
VAR	=	Various currencies

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (Note 1)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1972.

(with comparative figures for the year ended December 31, 1971) (Note 2)

IN MEXICAN CURRENCY

	1972	1971
<b>SOURCE OF FUNDS</b>		
Internal—		
Net profit (loss) of the year	\$ (109,093,102)	\$ 44,359,366
Provisions for: Depreciation and amortization	167,000,946	140,653,353
Pensions	204,043,858	117,522,792
Separation payments	45,612,193	64,113,206
Employees' insurance	8,527,000	—
	<u>\$ 316,090,895</u>	<u>\$ 366,648,717</u>
Cooperation from consumers toward fixed assets	131,857,752	98,839,493
	<u>\$ 447,948,647</u>	<u>\$ 465,488,210</u>
External —		
Long term credits from:		
Foreign Banks	\$ —	\$ 103,000,000
Mexican banks	—	216,719,403
Comisión Federal de Electricidad and Nacional Financiera, S. A.	1,341,287,198	930,068,224
Net contribution of employees to insurance	5,937,774	—
	<u>\$ 1,347,224,972</u>	<u>\$ 1,249,787,627</u>
Funds available	<u>\$ 1,795,173,619</u>	<u>\$ 1,715,275,837</u>
<b>APPLICATION OF FUNDS</b>		
Addition to properties, plant and equipment	\$ 1,087,298,870	\$ 959,197,938
Net increase in other assets:		
Loans to employees	15,117,133	92,979,092
Prepayments and others	58,410,122	7,495,846
Reduction in long-term liabilities	452,485,174	435,274,398
Payments for: Pensions	141,905,959	134,959,035
Separations	42,786,552	18,296,034
Reduction in other liabilities	14,288,311	2,079,376
Reduction in unallocated surplus		
Preferred share dividends	10,870,625	10,572,215
Adjustment of the employees' share in profits	(360,000)	(4,700,823)
Funds used	<u>\$ 1,822,802,746</u>	<u>\$ 1,656,153,111</u>
<b>INCREASE (REDUCTION) IN WORKING CAPITAL</b>	<b>\$ (27,629,127)</b>	<b>\$ 59,122,726</b>



## IN MEXICAN CURRENCY

### CHANGES IN WORKING CAPITAL

( ) reduction

	1972	1971
Cash	\$ 22,277,425	( \$ 78,195,094 )
Consumers' accounts and notes receivable, net	111,804,970	38,353,924
Materials and supplies at cost, not above market value, net	( 11,863,284 )	3,215,624
Debtors, claims and other current assets	( 18,254,481 )	74,045,328
Loans to employees, current portion	23,687,819	16,362,541
Insurance and other prepaid expenses	2,985,653	16,496,296
Accounts payable to suppliers, contractors and others	( 79,221,034 )	( 22,070,585 )
Dividends declared	( 28,506 )	(103,042 )
Current portion of long-term debt	( 64,922,476 )	22,599,426
Accrued interest, wages and other expenses	( 4,139,683 )	( 12,378,915 )
Employees' and pensioners' savings fund	( 9,955,530 )	800,223
Increase (reduction) in working capital	<u>\$ ( 27,629,127 )</u>	<u>\$ 59,122,726</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 1972.

---

IN MEXICAN CURRENCY

1) Bases for consolidation.

The Mexican Light and Power Company, Limited is a Canadian corporation constituted under the laws of Canada and is authorized by the Mexican Government to operate in Mexico. The Federal Electricity Commission, of Mexico, is the owner of 97.80/o of the outstanding common shares and of 80.80/o of the preferred shares.

The attached financial statements include the operations of The Mexican Light and Power Company, Limited and its direct subsidiaries: Compañía Mexicana Hidroeléctrica y de Terrenos, S. A. and Compañía de Luz y Fuerza del Centro, S. A. Also included are the operations of the subsidiaries of the latter: Compañía de Luz y Fuerza de Pachuca, S.A.; Compañía Mexicana Meridional de Fuerza, S. A., and Compañía de Luz y Fuerza Eléctrica de Toluca, S.A. All balances and transactions between these companies have been eliminated.

The Presidential Decree published in the Official Gazette of December 27, 1972 authorized the merger of Compañía de Luz y Fuerza del Centro, S. A. with its subsidiaries, Compañía de Luz y Fuerza de Pachuca, S.A., Compañía Mexicana Meridional de Fuerza, S.A. and Compañía de Luz y Fuerza Eléctrica de Toluca, S.A., said merger to be effective from December 31, 1972. As soon as the requirements of the General Law of Corporations have been complied with, the surviving company will be Compañía de Luz y Fuerza del Centro, S. A.

2) Financial statements of the preceding year.

The financial statements for 1971, not including the Consolidated Statement of Source and Application of Funds, were audited by other independent public accountants, who issued their report with a reservation because of the possible consequences from a difference in opinion with a supplier concerning the price of material purchased for operation. The accumulated differences from 1960 to 1971 were estimated at \$119 million pesos. These differences were resolved in 1972 so that the present financial statements include the effect, not very significant, of the agreement reached. Moreover, the previous auditors expressed a reservation in their opinion because of the uncertainty of recovering certain overdue consumer accounts, totalling \$42 million pesos, a situation which no longer exists.

3) Translation of currencies.

The operations in 1972 in foreign currencies were recorded in pesos at the rates of exchange in effect on the dates on which they were carried out, and the liabilities in foreign currency were converted into Mexican pesos at the



official rate of exchange on December 31, 1972.

The Company follows the practice of deferring losses in exchange in proportion to the duration of the corresponding credits. On December 31, 1972 there were included under the item of pre-payments the following amounts resulting from losses in exchange:

Current portion	\$ 6,181,559
Non-current portion	<u>54,046,303</u>
	<u>\$ 60,227,862</u>

After December 31, 1972 various foreign currencies in which different loans are payable were revalued; as a result, additional differences in exchange arose totalling \$85 million pesos. It is planned to defer these beyond 1973 in accordance with established practices.

4) Valuation of properties, plant and equipment.

In 1960 fixed assets were revalued on the basis of the values resulting from translating Canadian dollar costs at the official rate of exchange in effect on December 31, 1960. This revaluation amounted to \$1,205 pesos and is reflected in the following headings:

	Millions of Pesos
Capital stock	\$ 533.4
Reserves for reinvestment and retained earnings	444.5
Accrued depreciation and amortization	122.6
Accumulated provision for pensions and other assets and liabilities	<u>104.5</u>
	<u>\$ 1,205.0</u>

The accrued amortization at December 31, 1972 corresponding to the revalued assets amounted to approximately \$602 million pesos.

Additions subsequent to 1960 have been recorded at cost in Mexican pesos.

5) Bases for the calculation of depreciation and amortization.

Depreciation and amortization have been calculated by the straight line method using rates determined in accordance with the probable useful life in service of the assets, which are similar to those used by Comisión Federal de Electricidad and resulted from adopting studies carried out by the Federal Power Commission of the United States published in 1961, using the lowest rates in the studies

6) Provisions for pensions, separation payments and employee insurance.

Based on actuarial studies of permanent employees and taking into account the provisions of the Collective Labor Contract, annual provisions to be charged to earnings have been determined in such a way that the provisions would be sufficient to meet the required payments over the next ten years.

With respect to the provision for separation payments, the criteria previously used for determining the annual provisions was unified with that used for the other provisions, as described in the preceding paragraph. As a result, the charge to earnings for the year was \$61 million pesos less than it would have been in accordance with the procedure followed in prior years.

7) Preferred shares.

These shares are entitled to an unlimited vote, a cumulative preferred dividend of \$1.00 Canadian currency per annum and \$16.50 Canadian currency per share on redemption or liquidation of the Company.

The Company needs approval of 75% of the preferred shares voting as a class in order to:

- a) Sell, rent or in any way dispose of or commit its assets or an important part of them.
- b) Merge with another Company except a subsidiary.

8) Estimate of electric energy consumed pending billing.

Beginning in 1972 the operating revenues will include during the corresponding period the estimate of electric energy delivered to consumers and pending billing. Up to 1971 this energy was recorded when billed and no estimate of the amounts pending billing were made at the close of the financial period. The change in method increased income and consequently reduced the loss by \$80.2 million pesos.

9) Contingent liabilities.

In accordance with the Federal Labor Law of Mexico the Company has a contingent liability to indemnify employees who are fired under certain circumstances. The attached balance sheet includes no reserve for this contingency since the Company has followed the practice of charging such indemnities to the earnings of the year in which they are made.

10) Remuneration to officers of the Company.

The aggregate remuneration in 1971 to officers of the Company, of which two were also members of the Board of the Company, was \$1,105,639 Mexican currency. No remuneration was paid to directors of the Company who were not also officers of same.



THE MEXICAN LIGHT AND POWER COMPANY LIMITED  
AND SUBSIDIARY COMPANIES  
CONSOLIDATED FINANCIAL STATEMENTS  
IN CANADIAN CURRENCY

AUDITORS' REPORT

To the Shareholders of  
The Mexican Light and Power Company, Limited:

We have examined the consolidated balance sheet of The Mexican Light and Power Company, Limited and Subsidiary Companies as at December 31, 1972 and the related statements of consolidated profit and loss, movement of shareholders' investment, and source and application of funds in Canadian currency.

Our examination was made in accordance with generally accepted auditing standards including, consequently, tests of the documents, books and accounting entries and other generally accepted auditing standards, which we considered necessary in the circumstances.

As mentioned in Note 6 to the financial statements at December 31, 1972, the procedure for calculating the increases in accruals for separation payments was changed reducing the loss for the year by \$ 4.8 million. Also, it was decided from 1972 on to record the amount of energy supplied but not yet billed at the end of the year. Until 1971 this energy was recorded when billed without any estimate of its amount being included in the accounts at the end of the year. As mentioned in Note 8, this change increased gross revenues by \$ 6.4 million in 1972, consequently reducing the loss by this same amount.

In our opinion, the attached financial statements fairly present the financial position of The Mexican Light and Power Company, Limited and Subsidiary Companies as of December 31, 1972 and the result of their operation as well as the source and application of their funds for the year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year, except for the changes mentioned in the previous paragraph with which we are in agreement.

Mario Suárez del Real  
Public Accountants

May 4, 1973  
México, D. F.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (NOTE 1)  
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972  
*With comparative figures as at December 31, 1971 (Note 2)*  
IN CANADIAN CURRENCY

---

ASSETS

Current:	1972	1971
Cash . . . . .	\$ 12,677,410	\$ 10,957,452
Consumers' accounts and notes receivable, net . . . . .	40,521,179	31,773,107
Material and supplies, at cost, not above market value, net . . . . .	9,511,844	10,509,431
Debtors, claims and other current assets . . . . .	10,936,488	12,452,934
Loans to employees . . . . .	10,732,153	8,889,505
Insurance and other prepaid expenses . . . . .	<u>3,415,826</u>	<u>3,193,936</u>
	\$ <u>87,794,900</u>	\$ <u>77,776,365</u>
Other:		
Loans to employees . . . . .	\$ 47,023,183	\$ 46,048,982
Investments in securities at cost . . . . .	146,959	127,577
Notes receivable . . . . .	23,899	3,197,293
Prepaid expenses and other non-current assets (Note 3)	<u>8,235,014</u>	<u>446,666</u>
	\$ <u>55,429,055</u>	\$ <u>49,820,518</u>
Fixed:		
Property, plant and equipment (Note 3) . . . . .	\$ 578,523,389	\$ 500,133,730
Less: Accrued depreciation and amortization (Note 4).	<u>166,345,560</u>	<u>153,545,700</u>
	412,177,829	346,588,030
Work in progress, at cost . . . . .	83,498,446	85,555,430
Stores for construction, at cost . . . . .	5,883,640	1,513,649
Advances for construction . . . . .	<u>195,557</u>	<u>885,764</u>
	\$ <u>501,755,472</u>	\$ <u>434,542,873</u>
	<u>\$ 644,979,427</u>	<u>\$ 562,139,756</u>

On behalf of the Board:  
José López Portillo, *Director*  
Arsenio Farrell Cubillas, *Director*



## LIABILITIES

Current:	1972	1971
Accounts payable to suppliers, contractors and others . . . . .	\$ 16,572,259	\$ 10,312,723
Dividends declared . . . . .	426,299	426,299
Current portion of long term debt (Note 3) . . . . .	38,033,180	33,028,939
Accrued interest, wages and other expenses . . . . .	5,815,043	5,512,346
Employees' and pensioners' savings fund . . . . .	2,172,415	1,386,245
	<u>\$ 63,019,196</u>	<u>\$ 50,666,552</u>
Long Term (see statement attached) (Note 3) . . . . .	<u>\$ 331,058,116</u>	<u>\$ 261,572,214</u>
Other:		
Accrued for pensions (Note 5) . . . . .	\$ 18,451,671	\$ 13,569,318
Accrued for separation payments (Note 5) . . . . .	14,608,645	14,455,774
Accrued for employee insurance (Note 5) . . . . .	1,152,322	—
Consumers' and other deposits . . . . .	9,328,110	10,518,935
Differences from translation of foreign currencies (Note 3)	<u>14,332,630</u>	<u>13,232,950</u>
	<u>\$ 57,873,378</u>	<u>\$ 51,776,977</u>
	<u>\$ 451,950,690</u>	<u>\$ 364,015,743</u>
Contingencies (Note 9)		
SHAREHOLDERS' INVESTMENT		
Capital Stock (Note 1):		
Preferred shares		
Authorized and issued — 852,598 shares having a par value of \$13.50 Can. Cy, per share (Note 6) . . . . .	\$ 11,510,073	\$ 11,510,073
Common shares of no par value		
Authorized 5,000,000; issued 4,196,111 . . . . .	<u>31,928,205</u>	<u>31,928,205</u>
	<u>\$ 43,438,278</u>	<u>\$ 43,438,278</u>
Earned Surplus:		
Statutory reserve . . . . .	\$ 4,089,300	\$ 3,935,519
Reinvestment reserve . . . . .	63,953,301	63,953,301
Retained earnings . . . . .	37,217,884	38,070,482
Unallocated income of previous years . . . . .	3,961,579	
Unallocated income for the year, after deducting \$153,781 in 1972 and \$180 469 in 1971 transferred to statutory reserve . . . . .	<u>9,734,312</u>	<u>8,932,468</u>
	<u>\$ 99,487,752</u>	<u>\$ 109,891,770</u>
Total Shareholders' investment . . . . .	<u>\$ 142,926,030</u>	<u>\$ 153,330,048</u>
Consumers' Cooperation Toward Fixed Assets (not distributable under the Mexican Law of the Electric Industry) . . . . .	<u>\$ 644,979,427</u>	<u>\$ 44,793,965</u>
	<u>\$ 50,102,707</u>	<u>\$ 562,139,756</u>

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES (Note 1)

STATEMENT OF CONSOLIDATED PROFIT AND LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1972

*With comparative figures for the year ended December 31, 1971 (Note 2)*

IN CANADIAN CURRENCY

	1972	1971
Operating Revenue (Note 7) . . . . .	\$ 210,823,293	\$ 191,110,950
Operating and Other Expenses:		
Energy purchased . . . . .	\$ 56,693,489	\$ 51,058,477
Fuel . . . . .	7,299,959	6,843,046
Wages . . . . .	53,420,889	45,732,805
Employee benefits . . . . .	47,497,406	37,060,007
Other operating expenses . . . . .	4,037,433	3,843,394
Other maintenance expenses . . . . .	4,437,947	5,161,497
Administrative expenses . . . . .	2,260,628	2,265,132
Taxes and duties . . . . .	2,077,072	1,966,673
Provision for doubtful accounts . . . . .	864,681	865,157
Provision for depreciation and amortization (Note 4) . .	13,670,673	11,542,209
Total operating and other expenses	\$ 192,260,177	\$ 166,338,397
Net Operating Revenue . . . . .	\$ 18,563,116	\$ 24,772,553
Financial Cost . . . . .	\$ 30,850,967	\$ 23,594,347
Less: Interest during construction . . . . .	2,372,966	1,701,210
Less: Interest earned on immediately realizable securities	461,187	515,035
Net financial cost . . . . .	\$ 28,016,814	\$ 21,378,102
Other Revenue and expenses net . . . . .	( 126,833 )	747,597
Provision for Employees' Share in Profits . . . . .	—	29,111
Net Profit (Loss) for the year . . . . .	\$ ( 9,580,531 )	\$ 4,112,937
Appropriation to the statutory reserve . . . . .	153,781	180,469
Surplus for the year, to be allocated . . . . .	\$ ( 9,734,312 )	\$ 3,932,468

After allowing for the \$1.00 per share preferred dividend the results in 1972 were a net loss of \$2.08 per common share ( a net profit of \$0.78 per common share in 1971 )

The attached notes form part of this statement.



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF MOVEMENT OF SHAREHOLDERS' INVESTMENT  
FOR THE YEAR ENDED DECEMBER 31, 1972  
IN CANADIAN CURRENCY

	Capital Stock	Statutory Reserve	Reinvestment Reserve	Retained Earnings	Unallocated Income of Previous Years	Unallocated Surplus ( Loss) for the year.
Balance at Decem- ber 31, 1971 (Note 2) . . . . .	\$ 43,438,278	\$ 3,935,519	\$ 63,953,301	\$ 38,070,482	—	\$ 3,932,468
Transfer of the 1971 unallocated surplus . . . . .					3,932,468	(\$ 3,932,468)
Adjustment of the provision for em- ployees' share in profits of 1971					29,111	
Dividends declared by The Mexican Light and Power Company, Limi- ted on the Prefe- rred shares (\$1.00 Can. Cy per share)				852,598		
Net loss for the year ended December 31, 1972 as per the consolidated profit and loss statement, sho- wing the appro- priation to the statutory reserve		153,781				( 9,734,312 )
Balance at De- cember 31, 1972	\$ 43,438,278	\$ 4,089,300	\$ 63,953,301	\$ 37,217,884	3,961,579	\$( 9,734,312 )

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES  
(Including Compañía de Luz y Fuerza del Centro, S. A.)

Consolidated Statement of Long Term Liabilities  
as at December 31, 1972

The Mexican Light and Power Company, Limited		Original Currency	Canadian Currency
First Mortgage and Collateral Trust Bonds:			
5% Series A Sinking Fund Bonds and Debenture Stock, semi-annual payments to 1975 .....	US CAN	1 940 510	\$ 1 930 807 82 844
4.5 % Series B serial Bonds, semi-annual maturities to 1975, guaranteed by the Mexican Government . . . .	US	4 385 000	4 363 075
7% Series D serial Bonds, semi-annual maturities to 1975 .....	MEX	18 236 000	1 452 753
5.625 % Series E serial Bonds, semi-annual maturities to 1977, guaranteed by the Mexican Government . . . .	US CAN	3 562 356	3 544 544 280 000
6 % Series F Sinking Fund Bonds, annual payments to 1983 .....	US	2 947 000	<u>2 932 265</u>
Total First Mortgage Debt			<u>\$ 14 586 288</u>
5.5 % Cumulative Income Debenture Stock, Annual In- terest and Sinking fund of \$92,487 U.S. Guar- anteed by floating charge .....	US	2 466 530	<u>2 454 197</u>
Loans from Nacional Financiera, S. A. (subordinated to above)			
At 7% , semi-annual maturities to 1978 .....	MEX	82 363 969	\$ 6 561 443
At 8% , semi-annual maturities to 1981 .....	MEX	61 605 892	4 907 772
At 11.25 % , a re-financing of the previous two with quarterly maturities to 1989 .....	MEX	41 958 209	<u>3 342 559</u>
Total Subordinated Debt			<u>\$ 14 811 774</u>
Total Debt-The Mexican Light and Power Company, Limited			\$ 31 852 259
Compañía de Luz y Fuerza del Centro, S. A. (subordinated to Mortgage Bonds and Income Debenture Stock of the Mexican Light and Power Company, Limited)			
Comisión Federal de Electricidad:			
Loan Agreements			
At 8.755%o, annual maturities to 1979 .....	GER	39 516 207	\$ 12 292 039
From 7.5%o to 9.5%o, serial maturities from 1976 to 1997 .....	US	65 000 000	64 675 000



At 6 <sup>0</sup> /o and 7.5 <sup>0</sup> /o, semi-annual maturities to 1980 . .	US	5 470 143	5 442 792
At 12 <sup>0</sup> /o, semi-annual maturities to 1982 . . . . .	MEX	1 095 000 000	87 232 080
At 8 <sup>0</sup> /o semi-annual maturities to 1982 . . . . .	MEX	5 500 975	438 229
Joint contracts with Nacional Financiera, S.A., for subsidiary to IBRD Loans			
436—ME at 5 1/2 <sup>0</sup> /o and 6 <sup>0</sup> /o, semi-annual maturities to 1985 . . . . .	US	12 766 000	12 702 170
544—ME at 6 1/4 <sup>0</sup> /o, semi-annual maturities to 1988	VAR		14 167 315
659—ME at 7 <sup>0</sup> /o, to 7 1/2 <sup>0</sup> /o semi-annual maturities from 1974 to 1990 . . . . .	VAR		37 658 984
Sub Total — Comisión Federal de Electricidad . . . .			\$ 234 608 609

Notes to foreign banks:

At 6.5 <sup>0</sup> /o to 7.8125 <sup>0</sup> /o, serial maturities to 1979 . . . .	US	38 592 256 \$	38 399 295
At 7.5 <sup>0</sup> /o, due 1973 . . . . .	US	3 000 000	2 985 000
At 7 1/2 to 7.5625, due 1975 . . . . .	US	15 564 054	15 486 233
At 7 3/4 <sup>0</sup> /o, due 1970 . . . . .	US	15 774 761	15 695 887
Less: Notes representing unearned interest . . . . .	US	811 623 \$	807 564
Sub total Foreign banks			\$ 71 758 851

Notes to Mexican banks:

At 10 <sup>0</sup> /o and 12 <sup>0</sup> /o, semi-annual maturities to 1976 . .	MEX	407 050 000 \$	32 427 231
At 8 <sup>0</sup> /o, with annual maturities to 1981 . . . . .	MEX	7 368 895	587 036
Less: Notes representing unearned interest . . . . .	MEX	26 896 594	2 142 690
Sub Total Mexican banks . . . . .			\$ 30 871 577

Total Compañía de Luz y Fuerza del Centro, S.A. \$ 337 239 037

CONSOLIDATED TOTAL \$ 369 091 296

Less: Current portion of long term liabilities:

The Mexican Light and Power Company, Limited . . . . . 4 249 437

Compañía de Luz y Fuerza del Centro, S. A. . . . . 33 783 743

NET LONG TERM LIABILITIES \$ 331 058 116

Notes:

First Mortgage and Collateral Trust Bonds.

In accordance with the provisions of the Indenture of Mortgage of

February 1, 1950 and the Supplemental Indenture of March 28, 1955, the payment of principal and interest on the first mortgage and collateral trust bonds is guaranteed by a mortgage on properties, plant and equipment installed on December 31, 1953 and which were then valued at \$726 million pesos, and by a mortgage on all additions permanently incorporated to the mortgaged property. As an additional guarantee, as provided by the Indenture of Mortgage of February 1, 1950, the Company and its subsidiaries have agreed, subject to receiving prior authorization from Mexican Governmental authorities as required and in accordance with the provisions of the aforementioned Indenture, to constitute a mortgage at any time on any or all other immovable properties they may possess or acquire in the future.

Restrictions in accordance with loan agreements signed with the International Bank for Reconstruction and Development.

The Company has committed itself, among other things, that unless it obtains the consent of the Bank:

- a) It will not declare or pay any dividend or make any other distribution on its common shares (except stock dividends) if after considering such dividend or distribution the total amount of such payments and the payment of dividends on preferred shares made subsequent to December 31, 1956 should exceed by more than \$6,000,000 US currency the total net consolidated profits obtained by the Company and its subsidiaries and available for dividends subsequent to December 31, 1956.
- b) It will not redeem nor purchase any shares of its capital stock nor 5.5% Cumulative Income Debentures, (except for such part of the latter which are retired from circulation through the operation of the sinking fund) unless it does so with proceeds from the sale of shares and, in the case of the 5.5% income debenture stock, with the proceeds of the sale of income debenture stock which do not confer more favorable conditions on its holders than the existing 5.5 % Income Debentures
- c) It will not incur any debt if the net remainder from operations of the Electric Sector (the Company, its subsidiaries, and Comision Federal de Electricidad and its subsidiaries) (increased by the amount of the tax on consumption of electric energy) obtained during the financial period immediately preceding (or any preceding period of 12 consecutive months, whichever is greater) is less than 1.4 times the largest amount of the total amortization on long-term debt of the electric sector in future year or years.

- d) It will not sell or dispose in any other manner of any of its properties or other assets which are needed to carry out efficiently its operations unless it first pays or redeems or makes provisions satisfactory to the Bank for the balance of the loans outstanding.
- e) It will not assume liabilities with a guarantee on any of its assets; in case of non-observance of this restriction provisions satisfactory to the Bank must be immediately created to assure the payment of principal, interest and other charges arising from the credit granted by the Bank. This restriction will not be applicable to those credits which have a specific lien on those assets acquired with the credit itself and to any liability arising in the normal course of operations whose maturity is not greater than one year.

#### Key to currencies

MEX	Mexican pesos
US	American dollars
CAN	Canadian dollars
GER	German marks
VAR	Various currencies



THE MEXICAN LIGHT AND POWER COMPANY, LIMITED AND SUBSIDIARY COMPANIES (Note 1)  
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE  
YEAR ENDED DECEMBER, 31, 1972  
*(With comparative figures for the year ended December 31, 1971) (note 2)*  
IN CANADIAN CURRENCY

SOURCE OF FUNDS	1972	1971
Internal —		
Net profit (loss) of the year	\$ ( 9,580,531)	\$ 4,112,937
Provisions for: Depreciation and amortization	13,670,673	11,542,209
Pensions	16,173,230	9,503,481
Separation payments	3,615,382	5,184,514
Employees' insurance	675,880	—
	<u>\$ 24,554,634</u>	<u>\$ 30,343,141</u>
Cooperation from consumers toward fixed assets	10,433,145	8,014,144
	<u>\$ 34,987,779</u>	<u>\$ 38,357,285</u>
External —		
Long term credits from:		
Foreign banks	\$ —	\$ 8,000,000
Mexican banks		17,351,434
Comisión Federal de Electricidad and Nacional Financiera, S. A.	106,817,463	74 447 122
Net contribution of employees to insurance	476,442	—
Difference from translation of foreign currencies	1,099,680	2,067,648
	<u>108,393 585</u>	<u>101,866,204</u>
Funds available	<u>\$ 143,381,364</u>	<u>\$ 140,223,489</u>
APPLICATION OF FUNDS		
Additions to properties, plant and equipment	86,007,675	77,745,193
Net increase in other assets:		
Loans to employees	974,201	6,961,724
Prepayments and others	4,634,336	1,670,461
Reduction in long-term liabilities	37,331,561	35,881,255
Payments for: Pensions	11,290,877	11,086,564
Separations	3,462,511	1,651,048
Reduction in other liabilities	1,190 825	300,049
Reduction in unallocated income		
Preferred share dividend	852,598	852,598
Adjustment of employees' share in profits	( 29,111)	( 393,814)
Funds used	<u>\$ 145,715,473</u>	<u>\$ 135,755,078</u>
INCREASE (REDUCTION) IN WORKING CAPITAL	\$ ( 2,334,109 )	\$ 4,468,411

## CHANGES IN WORKING CAPITAL

( ) reduction

	1972	1971
Cash	\$ 1,719,958	( \$ 6,475,742 )
Consumers' accounts and notes receivable, net	8,748,072	2,711,992
Materials and supplies at cost, not above market value, net	( 997,587 )	129,306
Debtors, claims and other current assets	(1,516,446)	5,847,382
Loans to employees, current portion	1,842,648	1,215,309
Insurance and other prepaid expenses	221,890	1,445,340
Accounts payable to suppliers, contractors and others	( 6,259,536 )	( 1,660,021 )
Current portion of long-term debt	( 5,004,241 )	2,106,521
Accrued interest, wages and other expenses	( 302,697 )	( 933,873 )
Employees' and pensioners' savings fund	<u>( 786,170 )</u>	<u>82,197</u>
Increase (reduction) in working capital	<u>(\$ 2,334,109)</u>	<u>\$ 4,468,411</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 1972.

---

IN CANADIAN CURRENCY

1) Bases for consolidation.

The Mexican Light and Power Company, Limited is a Canadian corporation constituted under the laws of Canada and is authorized by the Mexican Government to operate in Mexico. The Federal Electricity Commission, of Mexico, is the owner of 97.8<sup>0</sup>/o of the outstanding common shares and of 80.8<sup>0</sup>/o of the preferred shares.

The attached financial statements include the operations of the Mexican Light and Power Company, Limited and its direct subsidiaries: Compañía Mexicana Hidroeléctrica y de Terrenos, S. A. and Compañía de Luz y Fuerza del Centro, S. A. Also included are the operations of the subsidiaries of the latter: Compañía de Luz y Fuerza de Pachuca, S. A.; Compañía Mexicana Meridional de Fuerza, S. A.; and Compañía de Luz y Fuerza Eléctrica de Toluca, S. A. All balances and transactions between these companies have been eliminated.

The Presidential Decree published in the Official Gazette of December 27, 1972 authorized the merger of Compañía de Luz y Fuerza del Centro, S. A. with its subsidiaries, Compañía de Luz y Fuerza de Pachuca, S. A., Compañía Mexicana Meridional de Fuerza, S. A. and Compañía de Luz y Fuerza Eléctrica de Toluca, S. A., said merger to be effective from December 31, 1972. As soon as the requirements of the General Law of Corporations have been complied with, the surviving company will be Compañía de Luz y Fuerza del Centro, S. A.

2) Financial statements of the preceding year.

The financial statements for 1971, not including the Consolidated Statement of Source and Application of Funds, were audited by other independent public accountants, who issued their report with a reservation because of the possible consequences of a difference in opinion with a supplier concerning the price of material purchased for operation. The accumulated differences from 1960 to 1971 were estimated at \$9.5 million dollars. These differences were resolved in 1972 so that the present financial statements include the effect, not very significant, of the agreement reached. Moreover, the previous auditors expressed a reservation in their opinion because of the uncertainty of recovering certain overdue consumer accounts, totalling \$3.4 million dollars, a situation which no longer exists



3.— Translation of Foreign Currencies:

As in previous years; assets; liabilities and profit and loss items which originated in currencies other than Canadian dollars were translated to Canadian dollars at rate of \$12.49 Mexican pesos = \$1.00 US dollar = \$0.995 Canadian dollars, except for the investment in properties; plant; and equipment which are shown at the rates of change in effect on the day of acquisition.

The above procedure resulted in a difference in exchange of \$14,332,630, greater by \$1,099,680 than that at December 31, 1971 because the Canadian dollar again changed value.

The company follows the practice of deferring losses in exchange in proportion to the duration of the corresponding credits. On December 31, 1972 there were included under the item of pre-payments the following amounts resulting from losses in exchange:

Current Portion	\$ 492,448
Non — current Portion	<u>4,305,544</u>
	\$ 4,797,992

4) Bases for the calculation of depreciation and amortization.

Depreciation and amortization have been calculated by the straight line method using rates determined in accordance with the probable useful life in service of the assets which are similar to those used by Comisión Federal de Electricidad and resulted from adopting studies carried out by the Federal Power Commission of the United States published in 1961, using the lowest rates.

5) Provisions for pensions, separation payments and employee insurance.

Based on actuarial studies of permanent employees and taking into account the provisions of the Collective Labor Contract, annual provisions to be charged to earnings have been determined in such a way that the provisions would be sufficient to meet the required payments over the next ten years.

With respect to the provision for separation payments, the criteria previously used for determining the annual provisions was unified with that used for the other provisions, as described in the preceding paragraph. As a result, the charge to earnings for the year was \$4.8 million dollars less than it would have been in accordance with the procedure followed in prior years.

6) Preferred shares.

These shares are entitled to an unlimited vote, a cumulative preferred dividend of \$1.00 Canadian currency per annum and \$16.50 Canadian currency per share on redemption or liquidation of the Company.

The Company needs approval of 75% of the preferred shares voting as a class in order to:

- a) Sell, rent or in any way dispose of or commit its assets or an important part of them.
  - b) Merge with another Company except a subsidiary.
- 7) Estimate of electric energy consumed pending billing.

Beginning in 1972 the operating revenues will include during the corresponding period the estimate of electric energy delivered to consumers and pending billing. Up to 1971 this energy was recorded when billed and no estimate of the amounts pending billing were made at the close of the financial period. The change in method increased income and consequently reduced the loss by \$6.4 million dollars.

8) Contingent liabilities.

In accordance with the Federal Labor Law of Mexico the Company has a contingent liability to indemnify employees who are fired under certain circumstances. The attached balance sheet includes no reserve for this contingency since the Company has followed the practice of charging such indemnities to the earnings of the year in which they are made.

9) Remuneration to officers of the Company.

The aggregate remuneration in 1971 to officers of the Company, of which two were also members of the Board of the Company, was \$87,637. No remuneration was paid to directors of the Company who were not also officers of same.

# TECHNICAL STATISTICS

	1968	1969	1970	1971	1972
CAPACITY OF THE INTERCONNECTED SYSTEM (MEGAWATTS)					
Hydroelectric Plants	313	313	313	313	313
Thermoelectric Plants	354	354	354	354	653
Total Company's Plants	667	667	667	667	966
Interconnected Comisión Federal de Electricidad Plants	1,203	1,390	1,545	1,680	1,617
TOTAL CAPACITY	1,870	2,057	2,212	2,347	2,583
ENERGY PRODUCED AND PURCHASED (MILLIONS OF KILOWATTHOURS)					
Hydroelectric Generation	1,273	1,290	1,297	1,271	1,389
Thermoelectric Generation	823	1,680	1,819	1,963	1,771
Total Company Generation	2,096	2,970	3,116	3,234	3,160
Purchased from Comisión Federal de Electricidad	5,898	5,813	6,411	7,031	8,025
TOTAL ENERGY AVAILABLE	7,994	8,783	9,527	10,265	11,185
MAXIMUM HOURLY DEMAND (MEGAWATTS)					
	1,540	1,696	1,901	2,016	2,310
ANNUAL LOAD FACTOR %					
	59.3	53.1	57.2	58.1	57.0
ENERGY BILLED (MILLIONS OF KILOWATTHOURS)					
Domestic	1,097	1,212	1,352	1,472	1,609
Small Commercial and Industrial (low voltage)	1,193	1,287	1,408	1,485	1,626
Large Industry and Mines (high voltage)	3,648	3,999	4,313	4,487	5,012
Electric Transport	119	113	216	337	352
Other Government	861	952	1,045	1,206	1,347
TOTALS	6,918	7,563	8,334	8,987	9,946
THOUSANDS OF CUSTOMERS SERVED					
Domestic	1,138	1,165	1,296	1,394	1,485
Commercial, Industrial and Others	226	264	251	266	276
TOTAL	1,364	1,429	1,547	1,660	1,761







